



ACTUARIAL STUDY

For the Public Deposit Insurance Fund

Issued: April 2, 2007

Due Date: May 10, 2007

**INDIANA BOARD FOR DEPOSITORIES
REQUEST FOR PROPOSAL
TO CONDUCT AN**

ACTUARIAL STUDY
For the Public Deposit Insurance Fund

I. PURPOSE

The purpose of this Request for Proposal (“RFP”) is to invite qualified firms to submit information, which outlines their ability to conduct an Actuarial Study for the Indiana Board for Depositories (“the Board”). The firm selected will be requested to provide the customary services of Actuaries (see Scope of Services). This is not an Invitation to Bid or a Request for Proposal under the Indiana Procurement Code. The Board creates no obligation, expressed or implied, by issuing this RFP or by receipt of any proposals submitted pursuant hereto. The award of any contract as a result of this RFP shall be at the sole discretion of the Board. Neither this RFP nor any proposal hereto is to be construed as a legal offer.

II. BACKGROUND OF THE INDIANA BOARD FOR DEPOSITORIES

The Indiana Board for Depositories is a quasi-governmental entity (a separate body, corporate and politic) established by the Indiana General Assembly. (I.C. 5-13-12-1).

The Board for Depositories consists of nine members. The Governor, Treasurer of State, Auditor of State, Chief Examiner, and Chairman of the Commission for Financial Institutions all serve as ex-officio members. The other four members are appointed by the Governor and serve a four-year term. The Governor, or his appointee, serves as chairman of the Board and the Treasurer of State serves as the secretary-investment manager.

The purpose of the board is to insure the safekeeping and prompt payment of all public funds deposited in any depository, to the extent they are not covered by any federal deposit insurance agency, by maintaining and operating in its own name the public deposit insurance fund (“PDIF”). The last actuarial study conducted was presented to the Board in December 2003.

III. SCOPE OF SERVICES

The Board is requesting the performance of an actuarial study of the PDIF.

- A. The purpose of the actuarial study is to determine the conservative and reasonable minimum fund requirement that provides protection against the risk of deposit losses due to bank and thrift failures. **The Federal Deposit Insurance Corporation has more knowledge about the probability of bank failures than any other source and is therefore strongly recommended as a reference for information collection regarding this topic.*
- B. The study must contemplate changes in federal and state statute allowing restructuring of financial institutions and expanded banking activities and their possible effect on the fund.
 - Examine all proposed changes in federal insurance coverage and the Indiana Code and their impact on the fund.
 - Examine the impact of changes in federal insurance coverage and the Indiana Code since the last study pertaining to the deposit of Indiana public funds.
- C. The study must review the scenario of historical claims against the fund and relate it to the soundness of the fund. (IC 5-13-12-7).
- D. The study must review alternative insurance methods used in other states. This review should include a cost-benefit analysis compared to the current system.
 - *Variables that should be taken into account when determining a minimum level of the Fund include, but are not limited to: the level of current public deposits, FDIC insurance, default rate trends, expected deposit loss and interest rate changes.*
- E. Discuss the impact on PDIF of requiring depositories to pledge collateral securities to cover public deposits. Update last actuarial study's alternative methods and any new methods currently in use.
- F. In addition, the Board requests comment on the current level of reserves held by the PDIF, the adequacy of asset – liability management of the fund, and evaluation of the safety, soundness and return of the fund's current portfolio.
 - The Board is looking for a recommendation (or a few recommended options) of a distribution of the fund's portfolio. At a minimum the Board requests a recommendation based on the existing legal restrictions and regulatory environment **and** a recommendation assuming no legal restrictions or regulatory constraints.
 - All investment instruments should be considered including, but not limited to: Treasuries, bonds, and money markets.
- G. Examine repurchase agreements and their potential liability to PDIF, particularly if and/or when a repurchase agreement might be considered a deposit rather than an investment.

IV. TIMELINE:

The Board for Depositories operates on a July 1 to June 30 fiscal year. The Board meets at a minimum of twice a year, January and June, but wishes to have a completed actuarial study by December 3, 2007.

V. QUALIFICATIONS

The actuary who will have oversight responsibility for this study must be a Partner with the firm.

VI. SPECIFIC PROPOSAL REQUIREMENTS

Proposals should contain direct responses to the following questions or requests for information and be organized so that the specific questions being answered are readily identifiable. Responses to each question or request for information should begin a new page with the question repeated at the top of the page. Responding firms are required to respond to all of the following questions and requests for information.

A. Summary

Each proposal should include a summary of not more than two (2) pages, which highlights the reasons why your firm should be selected for the Actuarial Study. The summary must also contain a statement that the individual signing the proposal has the authority to commit the firm to the terms proposed.

B. Basic Information Requirements (limit to one page)

- *Name of the firm*
- *Name and title of the individual preparing and responsible for the proposal*
- *Mailing address*
- *Telephone and facsimile numbers*
- *E-mail address*

C. State Information Requirements

- Please provide a detailed summary of your firm's policies on:
 - Prohibition of discriminatory employment practices.
 - Affirmative action/equal opportunity.
 - Use of women business enterprises.
 - Use of minority business enterprises.
 - Enforcement of drug-free workplace initiatives.
- Please provide details of any relevant criminal investigation, material pending litigation, regulatory or civil enforcement action pending against your firm.

D. Basic Information re: the Responding Firm (limit to two pages)

- *Name(s) and brief resume(s)* of the individual(s) who will have daily responsibility for the engagement. Please identify other transactions in which they have had an active role which might be relevant to the engagement.
- *Name and brief resume* of the partner who will have oversight responsibility for the engagement.
- *Name(s) and brief resume(s)* of any additional staff members who will provide support to the individual(s) who will have daily responsibility for the engagement.
- *A description of the general capabilities* of your firm including information relating to total size and staffing, research capability, professional staff and clerical support.

E. Proposal Information

The proposal should provide the following information:

- Your firm's qualifications and experience with assessment and evaluation of public deposits.
- Your experience and knowledge of Indiana's public deposit laws and FDIC policies.
- A summary of your approach and schedule of services including:
 - Developing the actuarial plan -- what are the areas of concentration, techniques to be utilized and the procedures of the study?
 - A specific expectation of management for providing actuarial schedules and reports.
 - Description of methods used to report to staff and the Board .

E. References

References including names, addresses and current telephone numbers of specific individuals should be provided for three clients for whom your firm has conducted actuarial studies. Please include ONLY three (3) references.

F. Fee Proposal

- Provide a fee schedule on a per hour basis including the rates for the types of personnel which will be assigned to the engagement. If you provide ranges, the high amount of any range will be recorded as your response.
- Provide a fixed fee proposal for the engagement.
- Out-of-Pocket Expenses: Specify the types of expenses for which your firm would seek reimbursement for services performed while conducting the actuarial study of the PDIF for the Board.
- Fees and expenses relating to the engagement may be billed on a monthly basis. The Board should be provided invoices detailing services rendered, time expended, and disbursements incurred.

G. Important Administrative Information

- A firm may not join with any other related or non-related firms in responding to this Request. The Board will not enter into a contract or other agreement for actuarial services without further discussion. This request is not an invitation to bid nor is it a request for proposal under the procurement provisions of the Indiana Code.
- Neither the State nor the Board creates any obligation, expressed or implied, of any kind or description in issuing this Request or receiving a response. Neither this Request nor the response shall be construed as a legal offer.
- Neither the State nor the Board will assume any responsibility or liability for any expenses incurred by a respondent, or prospective respondent, in connection with the preparation or delivery of a response, requested interview or any action related to the process of completing and submitting a response to this Request.
- Respondent shall certify within the letter of transmittal that all information provided herein is accurate and complete, to the best of it's knowledge, and that any false or misleading information may result in a disqualification of the proposing firm at the Board's discretion.
- Respondent shall disclose any information that may materially impair the firm's ability to provide the level of service required.
- The Board shall reserve the right to reject any and all submissions without cause; waive irregularities in all procedures related to this Request; make inquiries of responding firms and their references and clients regarding qualifications or information submitted as part of their responses as deemed necessary, and request and receive additional information as the Board deems necessary.
- The Board shall be deemed owner of all information and papers submitted by a Respondent.

VII. PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS

A. RFP Response and Confidentiality

In order to be considered for selection, responding firms must submit a complete signed response to this RFP. Five (5) copies of each proposal must be submitted to the Board at the following address:

Board for Depositories
242 State House
200 West Washington
Indianapolis, IN 46204
Attention: Merrick White

All proposals must be in a sealed envelope and clearly marked in the lower right corner "SEALED PROPOSAL – ACTUARIAL STUDY SELECTION". Proposals must be received at the above location no later than 12:00 noon (Indianapolis time) on Thursday, May 10, 2007. Facsimile proposals will not be accepted.

Respondents are advised that materials contained in proposals are subject to the Indiana Public Records Act and may be viewed and/or copied by any member of the public, including news agencies and competitors. In accordance with said Public Records Act, respondents claiming a statutory exception to the Indiana Public Records Act must place the putatively confidential documents in a sealed envelope clearly marked “Confidential” and must indicate on the outside of the envelope of their proposal that confidential materials are included and specify which statutory exception provision applies. In the event that the responding firm’s designation is challenged the responding firm will be required to defend its designation of confidentiality.

B. Proposal Preparation

An authorized representative of the firm must sign the proposal. Failure to submit all information requested may result in the proposal being considered “non-responsive”, and, therefore, rejected.

Proposals should be prepared simply, providing straightforward, concise responses to satisfy the RFP requirements. No printed brochures or materials other than written responses to the specific requirements should be provided.

C. Discretion in Determining Deviations and Compliance

The Board for Depositories reserves the right to determine which of the proposals have met the minimum qualifications expressed in this RFP. The Board shall have the sole right to determine whether any deviation from the requirements of this RFP is substantial in nature, and the Board may reject unacceptable proposals. In addition, the Board may reject in whole or in part any and all proposals, may waive minor irregularities, and may negotiate with responsible offering firms in any manner deemed necessary to serve the best interest of the Board and the PDIF.

E. Costs

The Board shall not be liable for any expenses incurred in the preparation of the proposals.

F. Notification

The Board is not required to furnish a statement of the reason(s) why a proposal was not deemed to be the most advantageous nor will it be required to furnish any information regarding this RFP other than the original solicitation document.

VIII. ADDITIONAL INFORMATION

A. Selection

Criteria

Selection of Actuaries for the study shall be at discretion of the Board and shall be based upon the following criteria:

1. Experience of individuals assigned to the engagement;
2. Availability of facilities and resources;
3. Past experience of firm in the role as actuaries;
4. Fee proposal;
5. Any other quality or characteristic deemed in the best interest of the Board.

Selection Date

Proposals are due on May 10, 2007. An interview process may occur during the week of June 4, 2007. The proposals will be considered by the Secretary Investment Manager and a decision will be made no later than June 30, 2007. The Board/Secretary-Investment Manager reserves the right to invite selected firms to make an oral presentation at the June, 2007 Board of Directors meeting. The Board is not responsible for any costs incurred as a result of responding to this RFP or making a presentation.

The Board for Depositories reserves the right to reject any and all proposals.

B. Clarification of Information

It is the responsibility of the offering firm to inquire about and clarify any aspect of the RFP that is not understood. Questions for clarification must be addressed in writing to Merrick White, Network Director (facsimile and e-mail questions are acceptable). All questions must be sent to the Board by May 3, 2007. The fax number for the Board is (317) 232-6650. Mr. White's e-mail address is mwhite@tos.in.gov. Written responses will be provided. Under the Indiana Open Door laws, all questions and responses will be available to the public.

The Board specifically requests that no contact concerning this RFP be made with any member of the Board for Depositories staff (other than Merrick White), its legal counsel, (Bingham McHale), or any of the members of the Board during the selection process. Failure to honor this request will be viewed negatively in the selection process.